

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 IO-13 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-03 USIA-15 PRS-01 DRC-01 OIC-04

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R 072233Z SEP 73

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 6958

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E.O. 11652: N/A

TAGS: EFIN, IBRD, IMF, PE

SUBJ: IMF/IBRD ANNUAL BOARD MEETINGS

REF: STATE 159015

1. EMBASSY HAS DISCUSSED FORTHCOMING MEETING WITH DR. EMILIO BARRETO, PRESIDENT OF THE BANCO CENTRAL DE RESERVA AND DR. JOSE LUIS BROUSSET, DIRECTOR SUPERIOR OF THE MINISTRY OF ECONOMY AND FINANCE. BOTH SAID THERE WERE NO MAJOR ISSUES WHICH PERU INTENDED TO RAISE EITHER WITH IMF/IBRD OR BILATERALLY WITH U.S. THE EMBASSY DOES NOT BELIEVE THERE ARE ANY MATTERS WHICH U.S. SHOULD RAISE WITH PERUVIAN DELEGATION.

2. IN COURSE OF GENERAL COMMENTARY, DR. BARRETO EXPRESSED CONSIDERABLE SATISFACTION WITH THE POSITION TAKEN BY SECRETARY SHULTZ ON INTERNATIONAL MONETARY MATTERS. IN PARTICULAR, HE WELCOMED THE CLEAR ENUNCIATION OF THE CONCEPT THAT THE CORRECTION OF PERSISTENT PAYMENTS IMBALANCES IS AS MUCH A RESPONSIBILITY OF THE SURPLUS AS LIMITED OFFICIAL USE

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THE DEFICIT COUNTRY. BARRETO SAID HE WAS ALSO PLEASED

TO NOTE THAT THE U.S. APPEARED ACCEPT CONCEPT THAT INTERNATIONAL EQUILIBRIUM WOULD DEPEND AS MUCH ON TRADE REFORM AS ON MONETARY REFORM. HE NOTED AS EXAMPLE THAT DOLLAR DEVALUATION HAD MADE INSUFFICIENT DENT IN JAPANESE TRADE SUPPLUS SINCE JAPAN HAD MERELY USED LARGE EXCHANGE RESERVES TO FUND FOREIGN RAW MATERIAL DEVELOPMENT PROJECTS WHICH SERVED AS CAPTIVE MARKETS FOR JAPANESE EXPORTS.

3. DR. BROUSSET SIMILARLY EXPRESSED AGREEMENT WITH POSITION TAKEN BY SECRETARY SHULTZ. HE ADDED THAT HE THOUGHT NAIROBI MEETING WOULD BE USEFUL FORUM FOR GENERAL EXPRESSION OF VIEWS ALTHOUGH HE ANTICIPATED LITTLE IN WAY OF CONCRETE ACHIEVEMENTS. ALTHOUGH FINANCE MINISTER MORALES BERMUDEZ IS LISTED AS HEAD OF PERUVIAN DELEGATION, IT IS NOT CERTAIN THAT HE WILL IN FACT ATTEND. IN COMMENTING THAT PERU WOULD HAVE NO ISSUES TO RAISE WITH U.S., BROUSSET NOTED THAT BILATERAL RELATIONSHIPS IN THIS AREA HAD BEEN CONSIDERABLY IMPROVED AS RESULT OF RELAXATION BY U.S. ON IBRD AND IDB LOANS TO PERU. WITH RESPECT TO GENERAL INTERNATIONAL MONETARY SITUATION, BROUSSET NOTED THAT ONE AREA WHICH HAD RECEIVED INSUFFICIENT ATTENTION WAS THAT OF EXCESS WORLD MONETARY LIQUIDITY. HE FAILED TO UNDERSTAND WHY ARAB COUNTRIES IN PARTICULAR COULD NOT DEVISE PLANS FOR ECONOMIC DEVELOPMENT THAT WOULD UTILIZE THEIR RESERVES IN RATIONAL, CONTROLLED MANNER, RATHER THAN USING THEM IN PRESENT DISORGANIZED, SPECULATIVE MANNER WHICH ONLY FURTHER DISTORTED WORLD MONETARY STABILITY

4. COMMENT: IN WELCOME CONTRAST TO PERU'S VOICE IN SEVERAL RECENT INTERNATIONAL FORUMS, IT APPEARS THAT THE PERUVIAN DELEGATION MAY BE REASONABLY RESTRAINED IN NAIROBI. APPROVALS BY U.S. OF LOANS TO PERU HAS PROBABLY HELPED. HOWEVER, PERU'S CONDUCT IN IMF/IBRD MEETINGS HAS NORMALLY BEEN PROFESSIONAL, AND EMBASSY WOULD HOPE THAT PERUVIAN DELEGATION, WHETHER OR NOT MORALES-BERMUDEZ DECIDES TO ATTEND, WOULD CONTINUE TO ACT IN SAME MANNER.
BARNEBEY

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